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VIA ELECTRONIC MAIL (TMFeedback@uspto.gov)

Honorable Gary Locke
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, DC 20230

Re: Small Business Study
Response to *Request for Comments: Trademark Litigation Tactics*

Dear Secretary Locke:

Safety National Casualty Corporation ("SNCC") submits these comments, in response to the Department's "Request for Comments: Trademark Litigation Tactics," made pursuant to the Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, 124 Stat. 66 (2010), requesting feedback from U.S. trademark owners, practitioners, and others regarding their experiences with litigation tactics, especially those involving an attempt to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner and/or involving allegedly problematic litigation tactics.

As requested by the Department's inquiry, SNCC herein describes its experience in having to defend what it believes is costly and unnecessary proceedings initiated by an overly aggressive trademark owner. While SNCC is not a small business, SNCC believes its experiences may shed light on overbroad assertions of rights by trademark owners and the effect of such conduct on businesses (including small businesses) that carefully adopt and use lawful and non-infringing trademarks. It is probably only because SNCC is a large enough company with sufficient funds to defend the claims against it that it can relate how costly and invasive such unnecessary proceedings can be for a trademark applicant. SNCC believes that most small businesses, when confronted with similar claims and threats, may abandon trademarks that they are entitled to use rather than face the costs of such proceedings.

Overview of SNCC and its Services. SNCC is the leading and longest continual provider of excess workers' compensation coverage in the insurance industry. SNCC does not directly market its insurance products to its policyholders. Rather, SNCC markets to brokers who, on

behalf of their self-insured clients, seek excess workers' compensation and employers' liability or other niche workers' compensation coverage from various insurance carriers. Since 1942, SNCC has provided excess workers' compensation coverage to self-insured employers and self-insured groups. SNCC offers a range of alternative risk funding products for workers' compensation through independent insurance agents and brokers that include excess workers' compensation, large casualty, assumed reinsurance, loss portfolio transfer, self-insurance bonds, TEXcess®, integrated employee benefits, and alternative risk services. In short, SNCC provides specialty business insurance products to sophisticated business buyers.

SNCC'S Trademarks. Since 1955, SNCC has used shield designs in connection with its business and, at various times, as a service mark. SNCC's past shield designs are shown in the margin. In 1996, Delphi Financial Group, Inc. ("Delphi") purchased SNCC. In 2008, SNCC redesigned its logo. The new logo, also shown in the margin, and hereinafter referred to as the "SNCC Mark," combines an updated version of the old shield shape, the SAFETY NATIONAL name, and Delphi's signature typeface. The mark also features the color green, a specific design choice by SNCC.

SNCC applied to federally register the mark. The Trademark Office examined SNCC's application and found no conflicting marks that would bar registration on grounds of likelihood of confusion.

Harley's Demand Letters. After SNCC's application was published, H-D sent a demand letter directly to SNCC (not its counsel), making claims of trademark infringement and dilution. In response, SNCC's counsel provided H-D with other trademarked shield designs (including bar and shield designs) used by various unrelated parties for *insurance services*. The response also explained the differences between SNCC's Mark as applied-for and H-D's Marks, and the differences between SNCC's services and channels of trade and those of H-D.

The Opposition. On February 22, 2010, H-D opposed registration of the SNCC Mark, claiming a likelihood of confusion with, and dilution by blurring of H-D's Marks. *See* Opposition No. 91193872. While H-D cited ten of its registered marks, nine are registered for goods and services totally outside of the financial and insurance fields; only one relates to insurance, and that covers insurance offered to motorcycle dealers and motorcycle owners.

Although a trademark owner's specific manner of use of a mark is not directly raised in a TTAB proceeding, it is significant as to the real likelihood of confusion in the marketplace that the H-D Marks are typically used in orange and black. In contrast, the SNCC Mark is registered with a claim to the color green. The marks as used in the marketplace are shown below.

SNCC's Motion for Judgment on the Pleadings. Because of the stark differences between the marks, SNCC filed a Motion for Judgment on the Pleadings. (This motion is pending and has been fully briefed.[1]) The motion highlighted the overall dissimilarity of the marks, as well as some of the distinct differences between them:

> **Differences Between the Dominant Features.** The words centrally displayed across the two marks are completely different in appearance, sound, connotation and commercial impression: "SAFETY NATIONAL" versus "HARLEY-DAVIDSON."
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> **The SAFETY NATIONAL Brand.** The prominent use of the house brand SAFETY NATIONAL significantly reduces or eliminates any likelihood that consumers will be confused as to the source of the parties' products. *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 46 (2d Cir. 2000).
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> **Textual Fill Differences.** The textual fill of the marks are entirely dissimilar. The entire interior of the H-D Mark is filled with significantly distorted and misshapen text in sans-serif letterforms stating the words "MOTOR" and "CYCLES": and . By contrast, the SNCC Mark contains two small textual elements, the word "SINCE" in cursive typeface and the year "1942" in Copperplate Gothic, each floating within large fields of green background: and .
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> **Color and Shading Differences.** The color and shading of the marks are also completely dissimilar. The SNCC Mark is green with a gradation in color, whereas the H-D Mark has no specified color, but is uniform in color density.

Considering all of these differences between the marks themselves, even apart from the different goods and services for which they are used and the different channels of trade, there can be no likelihood of confusion between SNCC's Mark and H-D's Marks. No one (neither Safety National's insurance buyers or H-D's motorcycle customers) would be confused by

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[1] For a more detailed analysis of the differences between these marks please refer to SNCC's Motion for Judgment on the Pleadings, Pages 11-13 and SNCC's Reply Supporting its Motion for Judgment on the Pleadings, Pages 2-4, both available on TTABvue.

SNCC's use of its mark in connection with its business insurance services, or believe that such use is somehow sponsored or authorized by H-D. Similarly, the dissimilarity of the marks is dispositive of H-D's dilution claim.

Procedure for Addressing Differences. The TTAB has recognized that when marks are clearly dissimilar, that factor alone may be dispositive. *See, e.g., Ava Enters. Inc. v. P.A.C. Trading Grp., Inc.* 86 U.S.P.Q.2d 1659, 1661 (TTAB 2008) ("notwithstanding the overlap of the respective goods, a likelihood of confusion cannot exist as a matter of law [where the words contained in the mark and the marks as a whole were entirely different] and that this case should be decided based on the first *duPont* factor alone as being dispositive.") (internal citations omitted); *Boston Red Sox Baseball Club LP v. Sherman*, 88 U.S.P.Q.2d 1581, 1593 (TTAB 2008) (We find, having given due consideration to the fame of the opposer's mark, and notwithstanding all the other factors in opposer's favor including the identity of the goods and the impulse nature of their purchase, that the marks in this case are simply too dissimilar to support a finding of likelihood of confusion."). The Federal Rules of Civil Procedure permit issues that are clearly set forth in the pleadings to be resolved on motions to dismiss or for judgment on the pleadings under Rule 12. However, the TTAB is viewed by many practitioners as far more reluctant to resolve cases on pre-trial motions than are federal district courts operating under the same procedural rules.

Expenses of Opposition Proceedings. *Inter partes* proceedings can be almost as costly as federal civil litigation—including extensive discovery, motions, and other pretrial procedures. Moreover, when an opposition is brought by an aggressive trademark owner, litigation tactics employed by that owner can significantly increase an applicant's cost in defending such an opposition and wear down an applicant—which may be exactly what the aggressive trademark owner hopes will happen. For example, the trademark owner may employ at least the following tactics, all of which have been used by H-D against SNCC:

> **Extensive Discovery.** H-D noticed nine SNCC depositions and a tenth of a third-party. H-D's written discovery to SNCC was also broad. For example, H-D requested documents such as "[a]ll documents that relate to any trademarks and/or service marks used by SNCC, past and present," "[d]ocuments related to all products and services [SNCC] offer[s]," "[a]ll documents related to Delphi Financial Group [SNCC's parent company]," and "[a]ll documents related to trademarks or service marks used by Delphi Financial Group."
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> **Resistence to Applicant's Discovery.** H-D objected completely and refused to produce copies of cease and desist letters sent by H-D (or on behalf of H-D) regarding shield designs and any responses thereto or full records. Such letters are relevant to SNCC's unclean hands and trademark misuse defenses.
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> **Aggressive Fight-Everything Motion Practice.** H-D appears to be aggressively fighting all matters in the Opposition, even those that should be reserved until the Board renders its opinion after the trial period. For example, although Rule 15(a) directs that

leave to amend pleadings shall be freely granted, H-D aggressively opposed such a motion. Likewise, after SNCC filed a Section 18 motion to amend the goods and services claimed in SNCC's registration should the Board determine at trial that a likelihood of confusion exists, a motion that essentially raises an issue for consideration in the trial briefs, H-D vigorously opposed the motion, thus requiring premature and fruitless briefing.

Feeble Arguments. In the Opposition H-D has asserted feeble and unconvincing arguments as to the similarity of the marks. For example, H-D argued that the SNCC Mark and the H-D Marks are similar because they both displayed "wording across the bar portion of the mark, in capital block letters." To rely on placement and capitalization of words as a point of confusing similarity, when the words themselves are totally dissimilar, is like saying that and are confusingly similar because they both use a word in caps and lower case at the center of the package, or that and are confusingly similar, because they both display two words with initial capital letters in the center of the packages.

While some aggressive tactics may be permissible in some situations, the use of all of these aggressive and cost-escalating tactics is clearly inappropriate in a case involving such a far-fetched theory of trademark confusion. *See* Fed.R.Civ.P. 26(b)(2)(C)(iii) (proportionality principle). Yet H-D apparently deliberately chose to use a pattern of aggressive tactics, by hiring a lawyer who has a history of such tactics. *See Mattel, Inc. v Walking Mountain Productions*, 2004 WL 1454100 (C.D. Cal. 2004) (awarding fees to defendant based on objectively unreasonable, groundless and frivolous intellectual property claims, where plaintiff [represented by H-D's counsel in this proceeding] "forced Defendant into costly litigation" to inhibit lawful conduct by defendant); *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 814 (9th Cir. 2003) (affirming award of sanctions against plaintiff for abuse of discovery process, where plaintiff [represented by H-D's counsel in this proceeding] "served [subpoenas] for the purpose of annoying and harassment and not really for the purpose of getting information").

Purpose. H-D's purpose here does not appear to be to prevent confusion, because the marks are clearly dissimilar for the reasons set forth above. Especially when the SNCC Mark and H-D Marks are compared as they are actually used in the marketplace, there is no likelihood of consumer confusion. Accordingly, SNCC believes that H-D initiated the proceeding to intimidate the applicant (and other trademark users) with costly litigation and, through intimidation, to reserve a broad protective no-man's-land around H-D's Marks.

Tactics of this nature contravene Congress's specific rejection of any ability of a trademark owner to "reserve" marks for itself, except under the limited intent-to-use process. *See* Senate Judiciary Committee Report on S. 1883, S. Rep. No. 100-515, p. 24-26 (Sept. 15, 1988). By dragging trademark owners into expensive TTAB actions, and then driving up costs and burying them in discovery, trademark bullies may effectively expand the scope of their trademark rights beyond the purposes approved by Congress.

Effect on Proper Trademark Selection and Use by Businesses. In selecting and adopting a trademark, a business should be able to conduct a search and analysis, select a proper and non-infringing mark, use the mark and, if it so desires, federally register it. Selection and use of non-infringing marks aids businesses, helps consumers, and promotes growth of our national economy. Aggressive trademark bullies interfere with this process. If a trademark bully uses unwarranted claims of infringement or dilution and aggressive tactics in an attempt to reserve a protective sphere around its mark, then the applicant faces unnecessary additional costs in defending the opposition. Small businesses may be unable to bear such costs and thus may be forced to abandon their trademark. Even a business that successfully defends such an opposition may bear unnecessary financial and commercial costs. Legitimate business activity and growth is thereby inhibited.

Recommendations. The United States Patent and Trademark Office, specifically the TTAB, has the responsibility to discourage overly aggressive actions by trademark owners, particularly when an opposition proceeding involves clearly dissimilar marks, by disposing of such proceedings early in the litigation process, such as on motions to dismiss or motions for summary judgment. Both TTAB precedent and the Federal Rules of Civil Procedure, under which *inter partes* proceedings are governed, allow for such dismissals. Such motions should be used to winnow out improper, frivolous, and/or overbroad claims.

Sincerely,
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